

JONES & KELLER

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Commissioner Gerald Rome
Colorado Division of Securities
1560 Broadway, Suite 900
Denver, Colorado 80202



Re: Vectra DFP, LLC – Request for Exemption from Investment Advisory
Licensure

Dear Commissioner Rome:

We represent Vectra DFP, LLC, a Colorado limited liability company (“Vectra”), a private oil and natural gas exploration and development company with headquarters in Littleton, Colorado. Vectra was formed in early 2014, and each of its principals has been in the oil and natural gas business at least 17 years, primarily in the area of exploration and production.

Vectra desires to enter into a business relationship with a large institutional investor under which the principals of Vectra will form a Colorado limited liability company which will act as the sole general partner (the “GP”) of two Delaware limited partnerships whose sole limited partner will be the institutional investor. The purpose of each of the limited partnerships will be to form and capitalize a separate operating subsidiary limited liability company whose sole purpose will be to buy, develop, hold, manage, create and dispose of “operating mineral interests” as defined in Section 614 of the Internal Revenue Code of 1986, as amended. In other words, each operating subsidiary will engage in the oil and natural gas exploration and production business. In connection therewith, the Vectra principals will be conducting exclusively all the activities of an oil and gas exploration company, which include without limitation, review of prospects—land, title, environmental, geology, including any related items, negotiation with operators in the oil and gas business and landowners, drafting, negotiating and oversight of appropriate documents, drilling review and determinations whether to participate in the drilling of properties, engineering reviews, production activities and related operations, as well as sales activities with end purchasers of oil and natural gas (when appropriate). For example, by way of illustration, each subsidiary may also enter into farmout agreements under customary terms and conditions in the oil and natural gas business.

The GP will contribute meaningful capital to one of the limited partnerships. The institutional investor will contribute the remaining capital. The total contributed capital of this limited partnership is expected to exceed \$40 million. An affiliate of the Vectra principals will be required to participate as a working interest owner in acquisitions of oil and gas properties by the operating subsidiary of the limited partnership, with the operating subsidiary participating for the remainder of the capital thus representing an increased capital commitment by the Vectra principals. The GP will not receive a management fee for its work on behalf of the limited partnership. The GP will, however, receive a bonus after payout to the limited partner, which is contemplated to be when the limited partner receives distributions from the limited partnership of 100% of its contributed capital plus 10% compounded annually.

The other limited partnership will be formed for the specific purpose of participating, through a farmout agreement to which its operating subsidiary will be a party, in 50% of the interests held by affiliates of the Vectra principals in wells spud in Weld County, Colorado. The limited partner will contribute several million dollars to the capital of the limited partnership, with the option to contribute additional funds if needed to participate fully in the drilling of these wells. The GP would have a nominal capital commitment. As was the case with the other limited partnership referenced above, the GP will not receive a management fee for its work on behalf of the limited partnership; however, unlike the other limited partnership, the GP will also not receive any bonus after payout to the limited partner. Affiliates of the Vectra principals would be entitled to back-in interests after payout under the terms of the farmout agreement.

The term of each limited partnership is eight years, although the parties could extend the term by mutual consent. Also, the limited partner may only transfer its interest in either limited partnership with the permission of the GP, which permission may be granted as determined in its sole discretion. Each limited partnership will have an annual audit of its financial statements by a certified public accounting firm, which will include the financials of the its operating subsidiary on a consolidated basis.

The investor will represent that it is both an “accredited investor” as defined in Regulation D promulgated by the U.S. Securities and Exchange Commission as well as a “qualified purchaser” as defined in Section 2(a)(51) of the Investment Company Act of 1940, 15 USC 80c-2. It will also represent that it has such knowledge and experience in financial and business matters and is capable of evaluating the merits and risks of its investments and making an informed investment decision with respect thereto; and it is able to bear the economic and financial risk of its investments in the limited partnerships for an indefinite period of time.

It has come to our attention that each limited partnership will likely be holding, developing and selling working interests in oil and gas leases, which could meet the definition of “security” in CRS 11-15-201, which includes a “certificate or interest or participation in an oil, gas or mining title with lease or payment out of production under a title or lease; . . .”

If one were to assume that working interests meet the definition of security under the CRS, a consideration to address is whether the GP is an “investment adviser” as defined in CRS 11-51-201, which provides, [“Investment Adviser” means any person who, for compensation, engages in the business of advising others, either directly or through publications or writings, as to the value of securities or as to the advisability of investing in, purchasing, or selling securities . . .]

Vectra and its affiliates are requesting hereunder an exemption from licensure as an investment adviser based on the facts that the sole investor is a highly sophisticated, institutional, knowledgeable investor and Vectra will perform customary oil and gas exploration and production activities described above. Vectra is well aware of the securities law requirements relating to the sale of limited partnership interests and intends to avail itself of appropriate exemptions under federal and state securities law.

Vectra believes its request herewith is appropriate and in the interest of the public for the following reasons:

1. Vectra is working only with one sophisticated, institutional investor in this endeavor. Vectra has no plans to expand its activities to encompass securities advice.
2. This institutional investor has a significant net worth, is able to fend for itself, and has the financial wherewithal to retain highly qualified business, financial, tax and legal advisors. Any benefit accruing to it under the Colorado investment adviser statute would be minimal. As noted above, Vectra will be providing audited annual consolidated financial statements of each limited partnership to the institutional investor.
3. Vectra is engaging primarily in the oil and gas exploration and production business and is not providing advice on values of securities to others, but rather is seeking to deploy capital to purchase, hold, develop and sell oil and gas properties and conduct associated activities.
4. The regulatory burden on Vectra and its affiliates to register and report to the Division, including investment adviser representative registration,

would be substantial, and disproportionate when contrasted with any benefit that would accrue to the investor.

5. The principals of Vectra have never been affiliated with an investment adviser or broker-dealer and have no plans whatsoever to engage in the business of advising others on securities.

We would appreciate your response at your earliest opportunity. Please do not hesitate to contact the undersigned with any questions you may have.

Very truly yours,

JONES & KELLER, P.C.



Reid A. Godbolt